MULTIMEDIA UNIVERSITY

STUDENT IDENTIFICATION NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2022/2023 SESSION (TERM 1D 2215)

BAF1614 – FUNDAMENTALS OF FINANCIAL REPORTING

(All Section / Groups)

23 FEBRUARY 2023
09:00 A.M. TO 12:00 P.M.
(3 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of **SIX (6)** pages excluding cover page with 4 Questions only.

2. Attempt ALL questions. The distribution of the marks for each question is given.

3. Please write all your answers in the Answer Booklet provided

QUESTION 1

Part A

The Purple Sdn. Bhd. operates a drive through tourist attraction. The company adjusts its accounts at the end of each month. The selected accounts appearing below reflect balances after adjusting entries were prepared on April 30, 2022. The adjusted trial balance shows the following:

Prepaid Rent	RM36,000
Equipment	60,000
Accumulated Depreciation—Equipment	11,000
Unearned Ticket Revenue	800

Additional information:

- Three months' rent had been prepaid on April 1, 2022.
- The equipment is being depreciated at RM12,000 per year.
- The unearned ticket revenue represents tickets sold for future visits. The tickets were sold at RM8.00 each on April 1, 2022. During April 2022, twenty of the tickets were used by customers.

Required:

a) Calculate the following:
1. Monthly rent expense.
2. The age of the equipment in months.
3. The number of tickets sold on April 1, 2022.

(3 marks)

b) Prepare the adjusting entries that were made by the Purple Sdn. Bhd. on April 30, 2022. (6 marks)

Part B

An examination of the accounts of Error Free Sdn. Bhd. for the month of October revealed the following errors after the transactions were journalized and posted.

a) A check for RM1,400 was issued for goods previously purchased on account. The bookkeeper debited Accounts Receivable and credited Cash for RM1,400.

b) A check for RM1,580 was received as payment on account. The bookkeeper debited Accounts Payable for RM1,850 and credited Accounts Receivable for RM1,850.

c) When making the entry to record the year's depreciation expense, the bookkeeper debited Accumulated Depreciation for RM3,000 and credited Cash for RM3,000.

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d) When accruing interest on a note payable, the bookkeeper debited Interest Receivable for RM400 and credited Interest Payable for RM400.

Required:

Prepare correcting entries for each of the above assuming the erroneous entries are not reversed. (5 marks)

Part C

Nurin Sdn. Bhd. completed the following transactions in November:

	Credit Sales		Sales Returns		Date of Collection
Date	Amount RM	Terms	Date	Amount RM	
Nov.3	1,800	2/10, n/30			Nov.8
Nov.11	2,400	3/10, n/30	Nov. 14	400	Nov.16
Nov.17	10,000	1/10, n/30	Nov. 20	2,000	Nov.29
Nov.21	3,400	2/10, n/60	Nov. 23	400	Nov.27
Nov.23	4,000	2/10, n/30	Nov. 27	600	Nov.28

Nurin Sdn. Bhd. uses a perpetual inventory system.

Required:

a) Indicate the cash received for each collection. Show your calculations. (5 marks)

b) Prepare the journal entry for the

1.Nov. 17 sale. The merchandise sold had a cost of RM7,000.

2.Nov. 23 sales return. The merchandise returned had a cost of RM280.

3.Nov. 28 collection.

(6 marks)

[Total 25 marks]

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QUESTION 2

ABC Berhad produced the following trial balance as at 31 December 2022.

	Debit RM	Credit RM
Intangible assets	200,000	
Land and Buildings	600,000	
Machinery	340,000	
Motor vehicles	440,000	
Accumulated depreciation-Machinery		102,000
Accumulated depreciation-Motor vehicles		158,400
Inventory, 1 Jan	178,000	
Supplies	64,200	
Account receivables and Payables	132,000	112,800
Allowance for doubtful accounts		1,400
Cash	190,000	
8% Note payable, 10 years		400,000
Share capital-ordinary		800,000
Retained earnings, 1 Jan		280,000
Purchases and sales	600,000	1,200,000
Discount received		7,000
Purchase return		2,400
Freight in	9,400	
Salary expense	180,800	
Utility expense	10,200	
Bad debts	3,400	
Interest paid	12,000	
Dividends	104,000	
	3,064,000	3,064,000

Additional information:

1. The intangible assets were acquired on 1 January 2022 and has a useful life of 8 years from that date.
2. No depreciation charges have yet been recognized for the year ended 31 December 2022. The depreciation rates are:

   Machinery - 10% on straight-line basis

   Motor vehicles - 20% on reducing balance method.
3. The inventory at 31 December 2022 has been valued at RM196,000.
4. Supplies used during the financial year is RM 24,000.

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5. A credit sales invoice for RM5,600 was posted as RM6,500. This error has not been adjusted in the book of ABC Berhad.
6. Allowance for doubtful accounts for the company is calculated at 2 % of net account receivable.
7. Salaries paid in advance were RM6,000.
8. A utility bill for RM800 has not been recorded and will not be paid until next month.
9. The balance of the interest on note payable has not been paid for the year.

Required:

a) Prepare the statement of profit or loss for the year ended 31 December 2022.
(10 marks)

b) Prepare the retained earnings statement for the year ended 31 December 2022.
(3 marks)

c) Prepare the statement of financial position as at 31 December 2022.
(12 marks)

[Total 25 marks]

QUESTION 3

Part A

Comfy Sdn. Bhd. is selling hotel pillows and uses perpetual inventory system to value inventory. The following information is available for the month of December 2022:

Date	Transaction	Purchases		Sales	
		Units	Unit Cost (RM)	Units	Selling price/Unit (RM)
1 December	Beginning inventory	200	40		
3 December	Purchase	120	50		
4 December	Sales			140	80
10 December	Purchase	400	55		
16 December	Sales			160	90
19 December	Purchase	80	60		
25 December	Sales			300	90

Required:

Using perpetual FIFO:

a) compute the value of cost of goods sold in December 2022 and ending inventory at 31 December 2022.
(8 marks)

b) prepare journal entries based on your workings in part (a).
(6 marks)

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Part B

Mr Clean Enterprise engages in the business of office cleaning services. The financial year end is 31 December annually. Mr Clean Enterprise allows 3 months credit term to customers. For the year ended 31 December 2022, the financial records show that the net sales were RM180,000. Mr Clean Enterprise estimated that 10% of its net sales will be uncollectible and recorded it as an increase in the allowance for doubtful accounts.

On 15 February 2023, the accountant reported the following amounts were uncollectible and there were court orders to write off the amounts from these customers:

Big A Sdn. Bhd.	RM550
Small Enterprise	RM400
Yes Enterprise	RM600
Anne Beauty Enterprise	RM800

The amount written off for Big A Sdn. Bhd. was paid back to Mr Clean Enterprise on 30 April 2023.

Required:

Prepare the journal entries to record the transactions on 31 December 2022, 15 February 2023 and 30 April 2023.

(11 marks)

[Totals 25 marks]

QUESTION 4

Part A

Mover Enterprise engages in the courier business. The financial year end is 31 December annually. In improving the service delivery, Mover Enterprise exchanged old delivery vans and paid RM96,000 for new delivery vans on 31 December 2022. The old delivery vans were acquired on 1 January 2021 for RM336,000. The residual value of the old delivery vans was RM48,000 and the useful life was 10 years. On 31 December 2022, the fair value of the old delivery vans is RM156,000.

Required:

a) Prepare the journal entry to record the annual depreciation expense at 31 December 2021.

(2 marks)

b) Prepare the journal entry to record the exchange of delivery van using straights line method at 31 December 2022.

(5 marks)

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Part B

Anna Corporation engages in the textile industry and in need of additional financial resources to cover the business operation. Among the initiatives taken was by issuing RM1,000,000, 9%, 5-year bonds for RM961,390 on 1 January 2022. Interest is paid every quarter on 31 March, 30 June, 30 September and 31 December. For amortization, the effective interest rate is 10%.

Required:

a) Prepare a table showing the amortization of discount for year 2022.

(11 marks)

b) Prepare the journal entries based on the table prepared in part (a).

(7 marks)

[Total 25 marks]

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